

Message Text

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PAGE 01 TEHRAN 03297 101452Z

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00 L-02

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R 101325Z APR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1014

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

USINT BAGHDAD

C O N F I D E N T I A L TEHRAN 3297

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: NIOC/CONSORTIUM PRICE ARRANGEMENTS TAKE NEW FLIP; OTHER OIL
MATTERS

REF: TEHRAN 2482

1. DEPUTY CONSORTIUM REPRESENTATIVE WILLMAN CALLED AT THE EMBASSY
APRIL 8, TO SAY NIOC HAS ONCE AGAIN CHANGED ITS MIND ON CONSORTIUM
PRICING ARRANGEMENTS. NIOC DIRECTOR OF INTERNATIONAL AFFAIRS MINA
TOLD WILLMAN NIOC HAD SENT CABLE TO CONSORTIUM IN LONDON TO "INFORM
MEMBERS OF CANCELLATION OF ADDITIONAL 25 DAY CREDIT PREVIOUSLY
AGREED (AS REPORTED REFTEL). CABLE SAID, HOWEVER, THAT NIOC WILL
ABSORB 94 PERCENT OF ANY INCREASES IN PRODUCTION COSTS BEYOND 12
CENTS PER BARREL FIGURE USED IN DECEMBER OPEC MEETING. THIS WILL
REDUCE PRICE TO CONSORTIUM MEMBERS BY ALMOST 4 CENTS PER BARREL
THUS BRINGING NIOC'S PRICE FORMULA VIRTUALLY INTO LINE WITH REST OF
GULF. AT LAST REPORT (LATE AFTERNOON APRIL 9) MEMBERS HAD NOT
DECIDED WHETHER THIS NEW NIOC POSITION ACCEPTABLE TO THEM. WE AND
WILLMAN BELIEVE MEMBERS WILL HAVE NO PROBLEMS WITH NIOC'S LATEST
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PAGE 02 TEHRAN 03297 101452Z

VIEWS.

2. WILLMAN HAD COME IN APRIL 7 TO INFORM US THAT MEMBERS HAD BEEN IN TOWN TO DISCUSS BUDGET FOR CAPITAL INVESTMENT PROGRAM IN KHUZ-ESTAN FIELDS WITH NIOC. BEFORE BUDGET TALKS BEGAN, MEMBERS ASKED FOR SMALL MEETING WITH MINA AND EGHBAL ONLY. IN SMALL MEETING MEMBERS WARNED THAT THEY WILL NOT REPEAT NOT BE ABLE TO CONTINUE TO PROVIDE 40 PERCENT OF CAPITAL INVESTMENT AT PRESENT PER BARREL MARGIN. MINA AND EGHBAL REACTED MILDLY. EGHBAL SIMPLY ASKED FOR PRICE OF PAPER FROM COMPANIES TO TAKE TO SHAH ON APRIL 9. MEMBERS REPLIED THEY WOULD BE UNABLE TO PREPARE PAPER IN TIME FOR EGHBAL'S APRIL 9 AUDIENCE. MINA LATER TOLD MEMBERS THAT THEIR UNWILLINGNESS TO CONTINUE TO PROVIDE CAPITAL WAS "NO BIG SURPRISE." MINA AND EGHBAL COMMENTED THAT EXISTING NIOC/CONSORTIUM AGREEMENT CLEARLY NEEDS OVERHAUL, BUT THIS CAN AWAIT "FURTHER DEVELOPMENTS."

3. MINA ALSO COMMENTED DURING SMALL MEETING THAT OPEC ECONOMIC COMMISSION WAS MEETING "YESTERDAY AND TODAY" (APRIL 5 AND 6) IN VIENNA TO DISCUSS (AMONG OTHER THINGS) SULPHUR, GRAVITY AND FREIGHT PREMIUMS AND THAT OPEC HOPED TO HAVE NEW SYSTEM SOON. IN BUDGET MEETING, MEMBERS UNANIMOUSLY TOLD NIOC AND OSCO THAT OSCO WOULD NOT BE ABLE TO MEET TARGETS IN FIVE-YEAR BUDGET PLAN, IN SENSE THAT CAPACITY EXPANSION AND SECONDARY RECOVERY PROJECTS WILL SOON FALL MONTHS BEHIND SCHEDULE.

4. ON APRIL 8 MINA CALLED WILLMAN TO ASK FOR INFO ON REPORTED SAUDI/ARAMCO SETTLEMENT, AND HINTED SHAH HAD RECEIVED INFORMATION THAT AGREEMENT HAD BEEN REACHED. WILLMAN QUERIED MEMBERS IN LONDON, WHO REPLIED THERE HAD BEEN NO RECENT MOVEMENT IN SAUDI/ARAMCO NEGOTIATIONS. MINA APPARENTLY ACCEPTED WILLMAN'S ASSURANCES THAT NOTHING HAS HAPPENED.

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